

## **FAQ Sales and Use Tax**

### **General**

#### **1) Where do I get an application (Form 10A100) for a sales tax account?**

An application may be obtained by mail, or from the DOR's Web site at [www.revenue.ky.gov](http://www.revenue.ky.gov). Applications must be signed, dated and mailed to the address on the bottom of the application. Applications may also be taken to a DOR Taxpayer Service Center for immediate processing.

#### **2) I applied for a sales tax account number. How long does it take to receive it?**

An application is usually processed in 2 to 3 weeks.

#### **3) I don't have my return or I don't have an account set up yet. Can I go ahead and send my money anyway?**

It is not recommended that money be sent in separately from the return; however, it will be accepted. It is suggested that the taxpayer reference their account number, the period and type tax (sales and use) for which the payment is being made on their check.

No payment should be made for a taxpayer without an account. In order to properly credit a payment, please wait until an account number has been assigned.

#### **4) I am looking for a sales tax rate table by city and county. Can anyone assist me with this?**

Kentucky's sales and use tax rate is 6 percent. Kentucky does not have additional sales taxes imposed by a city or county.

#### **5) I am a Kentucky retailer and I sell to an out-of-state retailer who is not registered in Kentucky. This retailer has me drop ship the item purchased to a Kentucky customer. Do I charge the out-of-state retailer sales tax?**

The out-of state retailer can issue you a completed Kentucky resale certificate with his state's retail number and put a statement on the certificate that he is an out-of-state retailer not required to hold a Kentucky permit. In lieu of issuing the Kentucky resale certificate (Form 51A1105) or a Streamlined Sales Tax Certificate of Exemption (Form 51A260), an out of state entity may issue the Multi-state Tax Commission's Uniform Sales and Use Tax Certificate-Multijurisdiction.

**6) Where can I find a copy of the sales and use tax return?**

You may file electronically via Kentucky E-tax, or via a paper return issued by the department. The department mails a unique paper return to each account for each respective filing period. The return mailed by the department or a form from a pre-approved forms provider, must be used if filing by paper.

**7) Why does the Department of Revenue change my filing frequency?**

The state's fiscal year end is June 30<sup>th</sup>. On an annual basis each sales tax account is reviewed to determine if a taxpayer needs to file more or less frequently depending on the tax liability paid in the past year. This adjustment should not change your bookkeeping. It only means that you have to report your sales and use tax more or less frequently.

**8) If I refund money to a customer, do I claim this amount on line 28 (credit claimed) of my sales and use tax return?**

No. If you refund money to your customer you either send in an amended return and ask for credit, or file a refund application (Form 51A209) requesting the money be refunded. The credit line on your sales tax return (line 28) is for pre-authorized credits by the DOR only.

**9) What is the Sales Tax? Who is responsible for collecting sales tax?**

Sales tax is a tax on tangible personal property that is sold, leased or rented in Kentucky and selected services. It is the seller's responsibility to collect the sales tax from the customers and to remit the sales tax to the Department of Revenue.

**10) What is the tax rate?**

There is a six percent (6%) statewide rate. This is no local option sales tax in Kentucky.

**11) What is the use tax? What is the use tax rate?**

The use tax is a tax on tangible personal property used in Kentucky upon which the sales tax has not been paid. In other words, it is a sort of "backstop" for the sales tax. Property which is purchased, leased or rented outside of Kentucky for storage, use or other consumption in this state is subject to the use tax. Tangible personal property purchased for resale, but which is used instead of being resold, is subject to sales and use tax. The use tax rate is six percent (6%).

Persons who become liable for use tax are required to report and pay the tax directly to the Department within 20 days following the end of the month in which the taxable use occurs. Persons who occasionally incur a use tax liability and who do not hold a sales and use tax permit may report and pay the use tax on a non-registered basis on a Consumer's Use Tax return, Revenue Form

51A113(O). The return may be obtained at any Kentucky Taxpayer Service Center, by writing the Department of Revenue, Division of Sales and Use Tax, P.O. Box 181, Frankfort, KY 40602-0181 or online at <http://revenue.ky.gov/forms/cursalefrm.htm>.

Businesses which are registered to collect sales tax should report their purchases subject to use tax on line 23(a) of their sales and use tax return.

**12) How is each tax computed?**

The sales tax is computed on the gross receipts from sales. The use tax is computed on the purchase price of the property.

**13) What kind of receipts are subject to the sales tax?**

- a. The sale of tangible personal property to consumers.
- b. Leases or rentals of tangible personal property to consumers.
- c. Sales of admissions.
- d. Hotel and motel rentals to transients for less than 30 consecutive days.
- e. Communication services.
- f. Furnishing of sewer services.
- g. Natural gas transmission and distribution services.

**14) Are all sales of tangible personal property taxable?**

No. There are three types of sales that are exempt from the sales tax. They are:

- a. Sales for Resale- tangible personal property which is purchased by another seller who issues a Resale Certificate.
- b. Interstate Commerce- property purchased to be delivered to a location outside of Kentucky.
- c. Sale of property which is exempt under the sales and use tax law.

**15) Who is required to collect and remit the use tax on out-of-state purchases of tangible personal property brought into Kentucky for use, storage or consumption?**

The consumer of the tangible personal property is responsible to remit the use tax to the Department of Revenue (DOR). However, if the out-of-state vendor is registered with the Kentucky DOR, he is responsible to collect and remit the tax to the DOR. The purchaser must obtain from the out-of-state vendor a receipt

showing the Kentucky use tax has been paid in order to be relieved from paying the use tax directly to the DOR.

**16) Does the law require the seller to provide a receipt to his customer showing the sales and use tax paid?**

Yes. A detailed receipt showing the tax separately stated from the purchase price must be issued to the purchaser.

**17) Are sellers allowed compensation for reporting and paying the tax?**

Yes. The seller may keep one and three-fourths percent (1.75%) of the first \$1,000 and one percent (1%) of tax due in excess of \$1,000 on each return up to a maximum of \$1,500 for reporting and remitting the taxes on or before the due date. Compensation is not allowed on returns filed or paid late.

**18) How long must a registered retailer keep records?**

Four (4) years pursuant to KRS 139.720.

**19) How do I close my sales and use account?**

Complete Form 51A205 (the account maintenance portion), and mail to the address in question #11 above or submit via fax to the Division of Sales and Use Tax at (502) 564-2041. Form 51A205 is mailed with every sales and use tax return and is also available at <http://revenue.ky.gov/forms/cursalefrm.htm>.

**20) How do I obtain a copy of my sales and use tax permit?**

A sales and use tax permit is contained within correspondence mailed to every new sales and use tax registrant. If you need another copy, contact the Division of Sales and Use Tax at (502) 564-5170, or via e-mail at [krc.webresponsesalestax@ky.gov](mailto:krc.webresponsesalestax@ky.gov).